

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Human Resources	(2) MEETING DATE 6/19/2012	(3) CONTACT/PHONE Tami Douglas-Schatz 781-5959	
(4) SUBJECT Submittal of two resolutions approving 1) amendments to the 2010-2011 Memorandums of Understanding (MOU) with the Association of San Luis Obispo County Deputy Sheriffs (ASLOCDS), Sworn Law Enforcement unit (bargaining unit 27) and Supervisory Sworn Law Enforcement unit (bargaining unit 28), and 2) an amendment to the San Luis Obispo County Employees' Retirement Plan, Article 28: Tier Two – Safety, establishing a new second tier pension benefit plan for ASLOCDS represented employees hired on or after June 24, 2012.			
(5) RECOMMENDED ACTION It is recommended that the Board adopt two resolutions approving: <ol style="list-style-type: none"> 1. Amendments to the 2010-2011 Memorandums of Understanding (MOU) with the Association of San Luis Obispo County Deputy Sheriffs (ASLOCDS), Sworn Law Enforcement unit (bargaining unit 27) and Supervisory Sworn Law Enforcement Unit (bargaining unit 28), and 2. An amendment to the San Luis Obispo County Employees' Retirement Plan, <u>Article 28: Tier Two – Safety</u>, establishing a new second tier pension benefit plan for ASLOCDS represented employees hired on or after June 24, 2012. 			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation (Time Est. _____) <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business </div>			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP N/A	(16) BUSINESS IMPACT STATEMENT? No	(17) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date _____	
(18) ADMINISTRATIVE OFFICE REVIEW Emily Jackson			
(19) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Human Resources / Tami Douglas-Schatz
781-5959

DATE: 6/19/2012

SUBJECT: Submittal of two resolutions approving 1) amendments to the 2010-2011 Memorandums of Understanding (MOU) with the Association of San Luis Obispo County Deputy Sheriffs (ASLOCDS), Sworn Law Enforcement unit (bargaining unit 27) and Supervisory Sworn Law Enforcement unit (bargaining unit 28), and 2) an amendment to the San Luis Obispo County Employees' Retirement Plan, Article 28: Tier Two – Safety, establishing a new second tier pension benefit plan for ASLOCDS represented employees hired on or after June 24, 2012.

RECOMMENDATION

It is recommended that the Board adopt two resolutions approving:

1. Amendments to the 2010-2011 Memorandums of Understanding (MOU) with the Association of San Luis Obispo County Deputy Sheriffs (ASLOCDS), Sworn Law Enforcement unit (bargaining unit 27) and Supervisory Sworn Law Enforcement Unit (bargaining unit 28), and
2. An amendment to the San Luis Obispo County Employees' Retirement Plan, Article 28: Tier Two – Safety, establishing a new second tier pension benefit plan for ASLOCDS represented employees hired on or after June 24, 2012.

DISCUSSION

The Association of San Luis Obispo County Deputy Sheriffs (ASLOCDS), Sworn Law Enforcement Unit (bargaining unit 27) and Supervisory Sworn Law Enforcement Unit (bargaining unit 28), represents a total of 135 positions in the classifications of Deputy Sheriff, Sheriff's Senior Deputy, and Sergeant. On January 27, 2012, the County entered into labor negotiations with the ASLOCDS in an effort to meet and confer to establish an extension and amendment of their Memorandums of Understanding (MOU). After several sessions and negotiating in good faith, the parties were able to reach a tentative agreement to amend the 2010-2011 MOUs and extend the term from December 31, 2011 to December 31, 2014.

The details of the MOU amendments are as follows and shown as Attachments A and B attached hereto:

Term:

- The ASLOCDS MOUs, which commenced February 25, 2010, and terminated on December 31, 2011, are amended and extended through December 31, 2014.

Wage Provisions:

- There shall be no base salary increases for unit members during the term of the Agreements.
- The prior formulaic prevailing wage survey language is removed for successor contract negotiations.
- Salaries for the time period following 12/31/14 shall be determined through successor negotiations.

Pension Provisions:

- For any increase in pension costs beginning in 2012 and subsequent years, any pension rate increase determined by the Pension Trust Board, shall be shared between the parties 50/50 for Tier 1 and Tier 2 pension plans.
 - For the term of these Agreements only, unit members' fifty percent (50%) share of increases shall not exceed:
 - 1% for pension rate increases implemented in 2012
 - 2% for pension rate increases implemented in 2013
 - 2% for pension rate increases implemented in 2014

Second Tier Retirement:

- Establishment of a new second tier pension benefit plan (detailed below) and shown as Exhibit A attached hereto.
- New employees hired on or after June 24, 2012 will be covered by the Tier 2 pension benefit plan. Current County employees in the ASLOCDS Sworn Law Enforcement unit (bargaining unit 27) and Supervisory Sworn Law Enforcement unit (bargaining unit 28) will maintain the current pension benefit tier (Tier One). Current Tier One County employees who promote or transfer or otherwise change bargaining units will remain in the Tier One pension benefit plan.

Current (Tier One) Pension Benefit Summary:

- Retirement formula of 3% at 50
- Final retirement compensation based upon the single highest year salary
- Retirement earnings may reach 90% of income
- 3% retiree cost of living adjustment (COLA), with carryover
- Includes a Deferred Retirement Option Plan (DROP)
- 50/50 cost sharing of any pension rate increases as adopted by the Pension Trust Board after receipt of actuarial data

New (Tier Two) Pension Benefit Summary:

- Retirement formula of 3% at 55
- Final retirement compensation based upon highest 3 year average final compensation
- Retirement earnings may reach 90% of income
- Limits retiree COLA to 2% with no carryover
- Eliminates the Deferred Retirement Option Plan (DROP) program
- 50/50 cost sharing of any pension rate increases as adopted by the Pension Trust Board after receipt of actuarial data

OTHER AGENCY INVOLVEMENT/IMPACT

Representatives from the Administrative Office, Auditor-Controller and the Pension Trust participated in the development of the plan amendment for the second tier pension. County Counsel has reviewed and approved the MOU Amendments, Resolutions, and Pension Trust plan amendment for legal form and effect.

FINANCIAL CONSIDERATIONS

There are no cost increases to the County associated with these MOU Amendments.

An actuarial analysis shows that County and employee contributions to the countywide pension plan for tier two is roughly half the cost as that for employees in tier one. Specifically, the current rate for the tier one plan for all employees is approximately 34% of pensionable payroll costs. This includes normal costs (approximately 24.11%) and unfunded liability costs (approximately 9.89%). By contrast, Countywide, tier two will have normal costs of approximately 17% with no unfunded liability at the outset. Employee contribution rates are also significantly lower in tier two. Employee contribution rates vary by the age the employee enters into the pension system. In tier one, for example, a 25 year old employee in bargaining unit 27 currently contributes 18.31%. In tier two, the same 25 year old employee would contribute only 10.85%, as shown on Appendix B attached hereto.

RESULTS

Approval of these Resolutions will: 1) amend the 2010-2011 Memorandums of Understanding (MOU) with the ASLOCDS bargaining units for a three year extension effective from January 1, 2012 through December 31, 2014 and; 2) amend the San Luis Obispo County Employees Retirement Plan to establish a new second tier pension plan for ASLOCDS employees hired on or after June 24, 2012 in the Sworn Law Enforcement unit (bargaining unit 27) and Supervisory Sworn Law Enforcement unit (bargaining unit 28).

The terms and conditions outlined in the MOU Amendments comply with the Board's three major initiatives for the Labor Program: Addressing prevailing wage; implementation of a second tier retirement plan; and cost sharing of pension rate increases with employees.

The implementation of a second tier pension plan for newly hired employees in bargaining units 27 and 28 continues the process of moving all newly hired employees into a lower second tier of retirement benefits and represents a 96% Countywide implementation of second tier pension plans. These actions will contribute to the County's goal of controlling the escalating costs associated with pension plan funding and addressing long term financial sustainability. This plan also contributes to a results-oriented, well-governed community.

ATTACHMENTS

1. Resolution ASLOCDS Sworn (BU27)
2. Attachment A - ASLOCDS amended 2012-2014 MOU (Sworn Law Enforcement, BU27)
3. Resolution ASLOCDS Supervisory Sworn (BU28)
4. Attachment B - ASLOCDS amended 2012-2014 MOU (Supervisory Sworn Law Enforcement, BU28)
5. Exhibit A - Pension Trust Article 28 Tier Two-Safety
6. Appendix B - Pension Trust Tier 2 Rate Sheets (2)